

Key notes



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Ian Heslop, manager of the Old Mutual Global Equity Absolute Return fund

Performance

- Recent performance has been strong and the fund is on course to meet its target of cash plus 6% in the period since launch
- The past two years – the period since launch – have been difficult to navigate, but fund has coped well
- The portfolio has been re-positioned to reflect the shift toward greater investor caution

Portfolio construction

- Defensive positioning – especially in US and Europe - has helped performance
- Over the longer term the fund's valuation strategy is expected to perform well during periods of both positive and negative investor sentiment
- Fund has flexibility to move from defensive to good cyclical names when appropriate

Consumer discretionary – strong outperformance

- Stock selection in consumer discretionary space has added value – generally positive on the outlook for the sector therefore the fund holds long positions on these stocks
- There have also been short opportunities in the sector and this has been a benefit to the fund

Industrials

- Cautious on pro-cyclical airlines for a period of time and this has benefited fund in the current climate
- As fund has a defensive bias, the manager has taken short positions in airlines
- Current environment is very challenging for these the travel businesses

Geographies

- Europe and US have led performance from a regional perspective
- Europe and US moved defensive quickly and early, leading to outperformance over last six months

Financials

- Questions still remain over quality of names in the banking sector
- Valuations appear attractive but issues exist over balance sheet strength and quality

Outlook

- Investor sentiment is unsurprisingly negative given macro backdrop
- Europe and US are suffering particularly negative outlooks
- Asia and Asia ex-Japan are looking much more positive, catching up to other regions

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